

E-Banking- An Overview

Dr.Vijay Prakash Mishra (Assistant Professor)

Department. Of Applied Economics

J.N.P.G College Lucknow

Abstract

Today most of the banking happens while you are sipping coffee or taking an important call. ATMs are at your doorstep. Banking services are accessible 24x7. There are more plastic cards in your wallet than currency notes. A huge part of this change is due to the advent of IT. Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. In order to survive in this environment, banks have to use IT. The Indian banking industry has witnessed tremendous development due to sweeping changes that are taking place in information technology. Electronic banking has emerged from such an innovative development.

Keywords: - *E-banking, Information Technology, Automated Teller Machines*

Introduction:-

Information Technology has become a necessary tool in today's organizations. Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. In order to survive in this environment, banks have to use IT. IT has introduced a new business paradigm. It is increasingly playing a significant role in improving services in the banking industry. The Indian banking industry has witnessed tremendous development due to sweeping changes that are taking place in information technology. Electronic banking has emerged from such an innovative development. Modern technology is seen as a panacea for most of the ills that the banking sector faces today. Even at present, India is a relative unbanked country as the credit-to-GDP ratio is one of the lowest in the developing economies. So banks are facing the dual challenge of increasing penetration and high growth trajectory. The banking industry can kill two birds with one stone that is with the help of technology. Tremendous progress took place in the field of technology which has reduced the world to a global village and it has brought remarkable changes in the banking industry.

E-Banking:-

Electronic banking has many names like e-banking, virtual banking, online banking, or internet banking. It is simply the use of electronic and telecommunications network for delivering various banking products and services. Through e-banking, a customer can access his account and conduct many transactions using his computer or mobile phone.

Evolution of e-banking:-

E-banking came into being in the UK and USA in the 1920s. It became prominently popular during the 1960s through electronic funds transfers and credit cards. The concept of web-based banking came into existence in Europe and the USA at the beginning of the 1980s. It has been estimated that around 40 percent of banking transaction would be done through Net.

E-Banking in India:-

In India e-banking is of fairly recent origin. The traditional model for banking has been through branch banking. Only in the early 1990s, there has been the start of non-branch banking services. The good old manual systems on which Indian Banking depended upon for centuries seem to have no place today. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999.

Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of e-banking in India. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000, which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

Indian banks offer their customers following e-banking products and services:

- Automated Teller Machines (ATMs)
- Internet Banking
- Mobile Banking
- Phone Banking
- Telebanking
- Electronic Clearing Services
- Electronic Clearing Cards
- Smart Cards
- Door Step Banking
- Electronic Fund Transfer

The three broad facilities that e-banking offers are:

- Convenience- Complete your banking at your convenience in the comfort of your home.
- No more Qs- There are no queues at an online bank.
- 24x7 service- Bank online services are provided 24 hours a day, 7 days a week and 52 weeks a year.

How E-Banking Can Ease Your Life:-

Penalty due to non-payment of the bill is not new to any one of us. And quite obviously, who likes the long procedure of writing a cheque, standing in a long queue and then ensuring that the particular amount is available in your bank account?

Indian banks are trying to make your life easier. Not just bill payment, you can make investments, shop or buy tickets and plan a holiday at your fingertips. In fact, sources from ICICI Bank tell us, "Our Internet banking base has been growing at an exponential pace over the last few years. Currently, around 78 percent of the bank's customer base is registered for Internet banking."

To get started, all you need is a computer with a modem or other dial-up device, a checking account with a bank that offers online service and the patience to complete about a one-page application, which can usually be done online. You can avail the following services.

Bill payment service:-

Each bank has tie-ups with various utility companies, service providers and insurance companies, across the country. You can facilitate payment of electricity and telephone bills, mobile phone, credit card, and insurance premium bills. To pay your bills, all you need to do is complete a simple one-time registration for each biller. You can also set up standing instructions online to pay your recurring bills, automatically. One-time standing instruction will ensure that you don't miss out on your bill payments due to lack of time. Most interestingly, the bank does not charge customers for online bill payment.

Fund transfer:-

You can transfer any amount from one account to another of the same or any other bank. Customers can send money anywhere in India. Once you login to your account, you need to mention the payee's account number, his ban, and the branch. The transfer will take place in a day or so, whereas in a traditional method, it takes about three working days.

Credit card customers:-

credit card users have a lot in store. With Internet banking, customers cannot only pay their credit card bills online but also get a loan on their cards. Not just this, they can also apply for an additional card, request a credit line increase and God forbid if you lose your credit card, you can report lost card online.

Railway pass:-

This is something that would interest all the aam janta. Indian Railways has tied up with ICICI bank and you can now make your railway pass for local trains online. The pass will be delivered to you at your doorstep. But the facility is limited to Mumbai, Thane, Nasik, Surat, and Pune. The bank would just charge Rs 10 + 12.24 percent of service tax.

Investing through Internet banking:-

Opening a fixed deposit account cannot get easier than this. You can now open a fixed deposit online through funds transfer. Online banking can also be a great friend for lazy investors.

Now investors with interlinked demat account and bank account can easily trade in the stock market and the amount will be automatically debited from their respective bank accounts and the shares will be credited in their demat account.

Moreover, some banks even give you the facility to purchase mutual funds directly from the online banking system.

So you need not worry about filling those big forms for mutual funds, they will now be just a few clicks away. Nowadays, most leading banks offer both online banking and demat account. However, if you have your demat account with independent share brokers, then you need to sign a special form, which will link your two accounts.

Recharging your prepaid phone:-

Now you no longer need to rush to the vendor to recharge your prepaid phone, every time your talk time runs out. Just top-up your prepaid mobile cards by logging in to Internet banking. By just selecting your operator's name, entering your mobile number and the amount for recharge, your phone is again back in action within a few minutes.

Shopping at your fingertips:-

Leading banks have tie-ups with various shopping websites. With a range of all kind of products, you can shop online and the payment is also made conveniently through your account. You can also buy railway and air tickets through Internet banking.

Internet banking versus traditional method:-

In spite of so many facilities that Internet banking offers us, we still seem to trust our traditional method of banking and is reluctant to use online banking. But there are a few cases where Internet banking will turn out to be a better option in terms of saving your money. 'Stop payment' done through Internet banking will not cost any extra fees but when done through the branch, the bank may charge you Rs 50 per cheque plus the service tax. Through Internet banking, you can check your transactions at any time of the day, and as many times as you want to. On the other hand, in a traditional method, you get quarterly statements from the bank and if you request a statement at your required time, it may turn out to be an expensive affair. The branch may charge you Rs 25 per page, which includes only 30 transactions. Moreover, the bank branch would take eight days to deliver it at your doorstep. If the fund transfer has to be made outstation, where the bank does not have a branch, the bank would demand outstation charges. Whereas with the help of online banking, it will be absolutely free for you. As per the Internet and Mobile Association of India's report on online banking 2006, "There are many advantages of online banking. It is convenient, it isn't bound by operational timings, there are no geographical barriers and the services can be offered at a minuscule cost."

Security Precautions:-

Customers should never share personal information like PIN numbers, passwords, etc with anyone, including employees of the bank. It is important that documents that contain confidential information are safeguarded. PIN or password mailers should not be stored, the PIN and/or passwords should be changed immediately and memorized before destroying the mailers. Customers are advised not to provide sensitive account-related information over unsecured e-mails or over the phone. Take simple precautions like changing the ATM PIN and online login and transaction passwords on a regular basis. Also, ensure that the logged in session is properly signed out.

Conclusion:-

In India, E-banking is in a nascent stage. No doubt Indian banks are making sincere efforts for the adoption of advanced technology and installation of e-delivery channels but still, masses are wary of the concept. Banks are making sincere efforts to popularise the e-banking services and products. The younger generation is beginning to see the convenience and benefits of e-banking. In years to come, e-banking will not only be an acceptable mode of banking but will be the preferred mode of banking.

References:-

1. www.Rbi.org.in
2. www.mcit.gov.ws
3. Reserve Bank of India, Report on Trend and Progress of Banking in India, RBI Mumbai, Various Issues.
4. Sharma Himani, "Banker's Perspective on e-banking"
5. www.commerce.gov.in